

Message Text

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SUBJ: PRC THIRD QUARTER 1973 TRADE RETURNS: FACING A DEFICIT

REF: HONG KONG 10490

SUMMARY: CHINA'S TRADE WITH ITS EIGHT PRINCIPAL NON-COMMUNIST
TRADE PARTNERS HAS INCREASED 84 PERCENT IN THE FIRST THREE
QUARTERS OF 1973 OVER THE SAME PERIOD IN 1972. BASED ON THIS
PERFORMANCE, WE NOW ESTIMATE THE PRC'S TOTAL WORLD TRADE IN
1973 IN EXCESS OF \$7.5 BILLION, WITH AN OVERALL DIFICIT OF
APPROXIMATELY \$200 MILLION. SUCH A DEFICIT WOULD BE ROUGHLY
EQUAL TO THAT INCURRED IN 1970 AND AN AMOUNT THAT THE PRC
COULD EASILY HANDLE OUT OF CURRENT RESERVES. END SUMMARY

1. CHINA'S TRADE WITH ITS EIGHT PRINCIPAL NON-COMMUNIST
TRADE PARTNERS (JAPAN, HK, CANADA, FRG, UK, FRANCE, USA AND
ITALY) HAS CONTINUED TO SHOW IMPRESSIVE IMPROVEMENT THROUGH
THE THIRD QUARTER. TOTAL TRADE WITH THE EIGHT ROSE TO \$3.66
BILLION FOR THE FIRST NINE MONTHS OF 1973, AN INCREASE OF
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84 PERCENT OVER THE COMPARABLE PERIOD IN 1972. PRC EXPORTS
INCREASED BY 71 PERCENT TO \$1.76 BILLION; IMPORTS BY 114

PERCENT TO \$1.90 BILLION. THIS LARGE INCREASE IN IMPORTS
THUS LEAVES THE PRC WITH A \$140 MILLION DEFICIT IN ITS TRADE
WITH THESE COUNTRIES. IN 1972, TRADE WITH THE EIGHT ACCOUNTED
FOR 49 PERCENT OF THE PRC'S WORLD TRADE AND 61 PERCENT OF
ITS TRADE WITH NON-COMMUNIST COUNTRIES.

2. BASED ON THESE RETURNS AND PROJECTIONS FOR OTHER AREAS
BASED ON 1972 RETURNS, WE NOW ESTIMATE CHINA'S TOTAL WORLD
TRADE IN 1973 IN EXCESS OF \$7.5 BILLION WITH AN OVERALL
DEFICIT OF APPROXIMATELY \$200 MILLION. MUCH, HOWEVER,
DEPEND ON THE FINAL TOTAL FOR SINO-US TRADE IN CY73 AND THE
ACTUAL SIZE OF THE PRC'S DEFICIT WITH THE US. THIS YEAR
CHINA'S TRADE SURPLUS WITH HONG KONG AND SINGAPORE (ESTIMATED
AT \$860 MILLION) WILL CONTINUE TO COMPENSATE FOR DEFICITS
WITH ITS MAJOR EUROPEAN TRADE PARTERS, JAPAN AND CANADA
(ESTIMATED AT \$520 MILLION). IT WILL NOT, HOWEVER, COVER MUCH
MORE THAN ONE-THIRD (PERHAPS \$320 MILLION) OF CHINA'S DEFICIT
WITH THE US WHICH IS EXPECTED TO REACH \$800 MILLION (STATE
233848).

3. IN 1972 THE PRC HAD A SURPLUS (\$425 MILLION) IN ITS TRADE
WITH SOUTHEAST ASIA (LESS SINGAPORE), THE NEAR EAST AND SOUTH
ASIA, AFRICA AND OTHER COMMUNIST COUNTRIES, BUT A DEFICIT IN
ITS TRADE WITH LATIN AMERICA (\$190 MILLION) (RESEARCH AID
A 73-29 OCTOBER 1973). IF, AS EXPECTED, THE PATTERN OF
CHINA'S TRADE WITH THESE AREAS HAS REMAINED RELATIVELY
CONSTANT THROUGH 1973, THEN THE RESULTING SURPLUS WILL STILL
FALL SHORT OF THE AMOUNT REQUIRED TO BALANCE CHINA'S TOTAL
FOREIGN TRADE. A DEFICIT OF \$200 MILLION WOULD BE ROUGHLY
EQUAL TO THAT INCURRED IN 1970 (\$190 MILLION) AND AN AMOUNT
THAT THE PRC COULD EASILY HANDLE OUT OF CURRENT RESERVES.

4. ON A COUNTRY-BY-COUNTRY BASIS, THE BREAKDOWN FOR PRC
EXPORTS (WITH PERCENTAGE INCREASE OVER JAN-SPET 1972) IS AS
FOLLOWS: JAPAN \$624.5 (98); HONG KONG \$727.5 (50); WEST
GERMANY \$94.7 (46); USA \$44.8 (107); BRITAIN \$67.7 (23);
CANADA \$41.6 (17); FRANCE \$90.7 (39)#; AND ITALY \$72.5
(41)#. (#BASED ON SEVEN MONTH PROJECTED FIGURES.)

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5. PRC IMPORTS WERE: JAPAN \$745.5 (65); HONG KONG \$4.6
(64); WEST GERMANY \$261.2 (103); USA \$391.7 (810); BRITAIN
\$133.4 (185); CANADA \$220.2 (57); FRANCE \$85.4 (71)#; AND
ITALY \$58.2 (LESS 17)#. (#BASED ON SEVEN MONTH PROJECTED
FIGURES.) ALL FIGURES HAVE BEEN ADJUSTED FOR SHIPPING COSTS,
IN ORDER TO SHOW APPROXIMATE PRICE OF PRC EXPORTS FOB CHINESE
PORTS AND IMPORTS CIF CHINESE PORTS.
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